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Required Report - public distribution

Date: 5/15/2012

GAIN Report Number:

Colombia

Coffee Annual

Colombian Coffee Production Will Rebound in 2013

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Report Highlights:

Continued rainfall, and the coffee renovation program have lead to a stagnant coffee production in Colombia. The government, together with the Coffee Federation, continue supporting coffee growers with a \$160 million recovery plan which provides funds through 2015. In MY 2011/12, Colombian coffee production is expected to remain at 8.5 million (60 kg) bags, after two years of decline due to rust, "broca" (cherry borer), and bad weather. Post expects Colombian coffee production to go up 6% in MY 2012/2013 and reached 9.0 million 60 kg bags, with exports increasing to 8.5 million 60 kg bags.

Executive Summary:

Colombian coffee production is expected to remain at 8.5 million 60 Kg bags in MY 2011/12 (October through September), and production is forecast to start increasing in MY 2012/13 to 9.0 million 60kg bags due to the renovated coffee trees that will enter into production, along with a favorable change in weather conditions. Colombia coffee production has been experiencing a three year historical lower production. The government and coffee federation has put a plan in place to increase support to coffee growers and encourage coffee tree renovation with varieties resistant to rust that are planted with higher density.

Colombian coffee exports rises with production. However, weaker international demand for high-quality coffee like the Arabica produced in Colombia has reduced international prices. Colombian coffee exports are expected to increase to 8.4 million 60 kg bags in MY 2011/12 and increase further to 8.8 million 60 kg bags in MY 2012/13.

The government committed \$160 million to a recovery plan to provide funds through 2015 to support the coffee sector. The Colombian government adapted its support program and targets to increase the use of its Rural Funding Incentive (RIC) subsidy to make it more efficient for assisting farmers to combat rust. The renovation program has become more focused on assisting farmers with costs of renovating trees to rust-resistant varieties.

Commodities:

Coffee, Green

Production:

Colombian coffee production is expected to remain at 8.5 million 60 kg bags in MY 2011/12. At the end of MY 2011/2012 Colombia coffee production will have the fourth consecutive year of lower production, which will be below the production average of the last 40 years. In contrast, the production value in US dollars increase 16 percent in 2011 compared to a year before due to strong international coffee prices. The forecast for MY 2012/13 is for an increase of 5.9% in production to 9.0 million 60 kg bags. This forecast increase in production is based on a better weather conditions and the entrance into production of renovated coffee trees.

In 2011, according to the Coffee growers Federation, 117,000 hectares were renovated and with this new area, the renovation program in total covered half of the Colombian coffee area in the last five years. The renovation plan is to continue renovating around 110,000 hectares per year in the following years. The current area with renovated coffee trees, and the plant renovation in the coming years, would allow Colombian coffee production to recover as renovated coffee areas enter into its productive phase. This coffee tree renovation program increases the potential for coffee production which will depend upon the appropriate weather conditions and good coffee farming practices.

Climate change plays a big role in Colombia's coffee numbers not only rains but also increasing temperatures are affecting coffee production. Diseases are affecting coffee trees at lower elevations as average high temperatures increase. The Center for Coffee Research has identified coffee varieties resistant to coffee cherry borer, which are still under research. These varieties resistant to coffee cherry borer will complement those already in production resistant to coffee rust.

Overall, this year's coffee production has been impacted negatively by coffee trees renovation and extreme rainfall. During the first five months of the 2011/12 marketing year, production reached 3.9 million 60 kg bags, 27% lower than the same period a year before. However, according to post sources, because of the end of "la Niña" weather phenomenon and the government support of coffee overall yield, coffee production would increase the remaining of the year.

Trade:

In MY 2011/12, Colombian coffee exports are expected to increase 11 % to 8.4 million 60 kg bags compared to the previous year. Post expects Colombian coffee exports to further increase to 8.8 million 60 kg bags in MY 2012/13 along with production recovery supported by the Federation and government funds. Firm international coffee prices in spite of peso strength against the dollar will sustain Colombian coffee exports.

Colombian coffee exports during the period Oct 2010 and Feb 2011 increased by 6.3% in to 3.9 million 60 kg bags compared to the previous year. This trend suggests that local consumption is being supplied with increasing imports, while local production is devoted to exports.

The United States continues to be the main destination for Colombian coffee exports by far. In MY 2011, the US market purchased 43.5% of total Colombian exports, followed by Japan with 14% and Belgium with 8.3%. Colombian coffee exports to the US increased to 3.4% in the first 5 months of MY 2011/12.

Colombia continues its effort to add value to its coffee and increase exports of value-added coffee products. Value added coffee products, and in particular specialty coffees, now make up 32 percent of Colombia's total exports. Colombian specialty coffee has also been growing - certified and organic coffees and coffees of origin receive premiums which result in higher overall prices than traditional coffee. Colombian coffee growers produce coffee under numerous international programs that provide fair trade and organic certifications such as USDA Organic, UTZ Certified, 4C, and Rainforest Alliance. Coffees from specific geographic origins such as Huila and Nariño are gaining recognition and popularity. Colombian specialty coffees frequently win high rankings in international coffee contests. Altogether, value added coffee and specialty coffee represent approximately 32 percent of total Colombian coffee exports (freeze-dried coffee makes up another 6 percent of total exports).

Prices for Colombian coffee on the international market have fallen to a monthly average \$2.26 per pound in March 2012, 16% lower than the year before. This price erosion was also seen in local prices as well. In March 2012 local prices to growers decreased 26% compared to the year before. The Colombian peso has strengthened against the dollar by 6.3% pushing further down the coffee grower income. According to post sources, the current international price situation and the peso strength together are moving the grower average

income down close to its production costs. Coffee growers with lower productivity are highly concerned about their abilities to cover the production cost as local prices fall.

Stocks: Although there is no official Colombian government policy for holding coffee stocks, the calculated inventory of coffee at the end of MY 2011/12 is expected to reach 439,000 60 kg bags, 310,000 60 kg bags less than the previous year. This is a result of the stagnant coffee production even though imports increased. In MY 2012/13, a further decrease in stocks of 250,000 60 kg bags is expected due to the expectation of increasing exports that goes along with lower coffee imports.

Policy:

There are 553,000 coffee farmers in Colombia, of which 95% produce on less than 5 hectares. Small farmers with less than 5 hectares of land produce 69% percent of Colombia’s total production. The fact that the majority are small farmers makes coffee highly sensitive for the government in terms of employment and social welfare. The government modified its subsidy program for coffee to improve its benefits and extended weather-related assistance until 2015.

The current government coffee program established both short and long term goals. In the short term, the program is focused on controlling coffee rust and in the longer term, aims to help restore coffee production back to 15 million 60 kg bags with coffee varieties that are rust-resistant. The renovation program is now entirely focused on implementing rust-resistant varieties. Another long-range policy goal is to increase the use of the Rural Funding Incentive (ICR) benefit and to make it more targeted to rust control. The RIC benefit was extended to larger coffee farms that range from 1.5 hectares to 5 hectares in size and was also linked to coffee tree renovation. Another change regarding small farmers, making it possible for the subsidy for farmers with less than one hectare of land to receive assistance not only through discounts on loans but also on inputs. The government is putting this assistance in place now to deal with the coffee rust situation that has been exacerbated by recent flooding and excessive rains in Colombia.

In addition, the Federation established a 5.5 million dollar program to address the problem of coffee rust disease on coffee farms smaller than 10 hectares. This program will provide supplies for performing renovation such as seed, bags, fertilizers and transplants. For areas that can be recovered without actual renovation, the program will provide fertilizers and fungicides.

As previously mentioned, due to the damages caused by the extreme rainfall to the agricultural sector, the Colombian government has put in place an emergency program to provide support to all areas and producers affected. Under this program, coffee growers receive a support of \$ 150 per hectare by means of fertilizers, pesticides, and fungicides. Subsidies that will continue from the Colombian government include the hedging support program, the minimum price extended to farmers, and the guaranteed purchase program.

Production, Supply and Demand Data Statistics:

Coffee, Green Colombia	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Oct 2010		Market Year Begin: Oct 2011		Market Year Begin: Oct 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	780	780	780	780		780
Area Harvested	640	640	640	640		640
Bearing Trees	2,900	2,900	2,900	2,900		2,900
Non-Bearing Trees	1,070	1,070	1,070	1,070		1,070

Total Tree Population	3,970	3,970	3,970	3,970		3,970
Beginning Stocks	284	284	99	749		439
Arabica Production	8,525	8,525	8,500	8,500		9,000
Robusta Production	0	0	0	0		0
Other Production	0	0	0	0		0
Total Production	8,525	8,525	8,500	8,500		9,000
Bean Imports	715	715	800	800		760
Roast & Ground Imports	40	40	40	40		40
Soluble Imports	0	0	0	0		0
Total Imports	755	755	840	840		800
Total Supply	9,564	9,564	9,439	10,089		10,239
Bean Exports	7,410	6,711	7,500	7,500		7,900
Rst-Grnd Exp.	50	55	50	55		55
Soluble Exports	935	849	900	895		895
Total Exports	8,395	7,615	8,450	8,450		8,850
Rst,Ground Dom. Consum	770	900	650	900		900
Soluble Dom. Cons.	300	300	300	300		300
Domestic Use	1,070	1,200	950	1,200		1,200
Ending Stocks	99	749	39	439		189
Total Distribution	9,564	9,564	9,439	10,089		10,239
1000 HA, MILLION TREES, 1000 60 KG BAGS						